

MAY 19, 1994

BOSTON REDEVELOPMENT AUTHORITY

SECOND AMENDMENT TO THE REPORT AND DECISION ON THE APPLICATION OF BLAKE ESTATES ASSOCIATES II FOR THE AUTHORIZATION AND APPROVAL OF A PROJECT UNDER MASSACHUSETTS GENERAL LAWS, CHAPTER 121A, AS AMENDED, AND CHAPTER 652 OF THE ACTS OF 1960, AS AMENDED, TO BE UNDERTAKEN AND CARRIED OUT BY A LIMITED PARTNERSHIP FORMED UNDER MASSACHUSETTS GENERAL LAWS, CHAPTER 109, AS AMENDED, AND APPROVAL TO ACT AS AN URBAN REDEVELOPMENT LIMITED PARTNERSHIP UNDER SAID CHAPTER 121A

A. Prior Proceedings and Actions. Reference is made to the following.

1. On October 11, 1979, the Boston Redevelopment Authority (the "Authority") by vote adopted a Report and Decision (the "Report and Decision") on the Application for Authorization and Approval of a project known as Blake Estates II (the "Project"). Such vote was approved by the Mayor of the City of Boston (the "Mayor") on October 30, 1979 and the vote as so approved was filed with the City Clerk of the City of Boston (the "City Clerk") on November 6, 1979. The Project, as more particularly described in the Report and Decision, consists of 88 rental units of low and moderate income, Section 8 housing with financing from the Massachusetts Housing Finance Agency ("MHFA"), located in the Hyde Park neighborhood of the City of Boston. Blake Estates Associates II, A Massachusetts limited partnership, was approved in the Report and Decision as the Chapter 121A entity to own, operate and manage the Project. The General Partners of Blake Estates Associates II were Norman B. Levanthal and Edwin N. Sidman.
2. On December 6, 1979, a Regulatory Agreement, under Chapter 121A, §18C, was entered into by and between Blake Estates Associates II and the Authority (the "Regulatory Agreement").
3. As of December 5, 1979, a contract under Chapter 121A, §6A, regarding payments in-lieu of taxes to the City of Boston (the "City") was entered into by and between Blake Estates Associates II and the City (the "6A Contract").
4. On April 9, 1987, the Authority voted to adopt a First Amendment to the Report and Decision (the "First Report and Decision Amendment"). Such vote was approved by the Mayor on April 16, 1987, and the vote as so approved was filed with the City Clerk on April 21, 1987. The First Amendment approved the withdrawal of Norman B. Levanthal and Edwin B. Sidman as General Limited Partners of Blake Estates Associates II and the admission of a sole corporate General Partner, Blake Estates II Corp., a Massachusetts business corporation.

Blake Estates Associates II shall hereinafter be referred to as the "Applicant" and the "Partnership". The Report and Decision, as amended by the First Report and Decision Amendment, shall hereinafter be referred to as the "Amended Report and Decision".

B. Application for Second Amendment. On March 23, 1994, the Applicant filed with the Authority a certain application to further amend the Amended Report and Decision (the "Second Amendment Application"). The Second Amendment Application requested approval of the Partnership's participation in the MHFA "Pre-1981 Section 8 Recapitalization Program" and in connection therewith the establishment of an "Affordable Housing Escrow Fund" to be controlled by the Authority with a contribution by the Applicant of \$89,805, subject to the terms set forth therein. The Second Amendment Application is incorporated by reference as if fully set forth herein.

C. Public Hearing Notice. On March 24, 1994, the Authority voted to hold a public hearing ("Public Hearing") on the Fourth Amendment Application and scheduled the hearing for Thursday, April 7 at 2:00 PM. The notice for the Public Hearing was required to be published in the Boston Herald, and was so published on April 5. On April 7, the Authority voted to reschedule the Public Hearing for Thursday, April 28, at 2:30 PM. A notice of the rescheduled Public Hearing was published in the Boston Herald on April 18. On April 28, the Authority voted to reschedule the Public Hearing for Thursday, May 19 at 2:00 P.M. A notice of the rescheduled Public Hearing was published in the Boston Herald on May 9. The Public Hearing was held on May 19.

D. Authority Action. The Authority is acting hereunder pursuant to Chapter 121A, as amended and applicable, the Regulatory Agreement, the Acts of 1960, Chapter 652, as amended and applicable, and the Authority's "Rules and Regulations Governing Chapter 121A Projects In the City of Boston", as amended and applicable. Further, the Authority, in acting hereunder, has considered the Second Amendment Application and all documents or exhibits filed therewith or attached thereto, the testimony at the Public Hearing and all documents or other materials presented thereat, sufficient in the Authority's judgment to enable it to act as hereinafter set forth.

D. Decision. The Authority hereby acts as follows:

1. Approval. The Second Amendment Application is hereby approved and the Amended Report and Decision is further amended only to the extent hereinafter set forth. If there is any inconsistency or conflict between the terms of the Second Amendment Application and this document (the "Second Report and Decision Amendment"), those of this Second Report and Decision Amendment shall apply and govern.

2. Authorization for Change in Return Restriction and/or Allowable Distributions. The Authority hereby finds and determines as follows:

(a) That in accordance with Chapter 121A, §18C(e), as amended and applicable as of October 11, 1979, and as set forth in the Regulatory Agreement, Section 4, the Partnership could not take as net income from the Project "...any sum in excess of eight per cent (8%) of the amount invested by them in the Project for each year in which they own or have owned the Project, except that, if in any year they shall so receive a sum less than the aforesaid eight percent, they may so receive in a subsequent year or years, additional sums not exceeding in the aggregate such deficiency without interest";

(b) that the Acts of 1989, Chapter 678, §22, amended Chapter 121A, §18C(e), to permit an increase in the rate of return on investment and allow a change in allowable distributions, by adding the following: "Regarding residential housing projects, the preceding limitations on dividends shall not apply whenever the United States Department of Housing and Urban Development, hereinafter referred to as HUD or the Massachusetts Finance Agency, hereinafter referred to as MHFA allows a change in the allowable distribution or other measure to increase the rate of return on investment, as defined by HUD or MHFA, for projects assisted by HUD or MHFA, subject to the approval of the department of community affairs";

(c) that the Authority by the Acts of 1960, Chapter 652, §12, functions and exclusively exercises the powers of the former "state housing board" or "housing board", and its successor agency, the Department of Community Affairs within the state Executive Office of Communities and Development, for all purposes with regard to Chapter 121A projects in the City of Boston, including without limitation, any approvals required by Chapter 121A, §18C(e) as amended;

(d) that any change in the allowable distribution or other measure to increase the rate of return on Chapter 121A projects in the City of Boston pursuant to Chapter 121A, §18C(e) as amended, is subject to prior approval by the Authority; and

(e) that MHFA's so-called "Pre-1981, Section 8 Recapitalization Program", as originally adopted on August 4, 1992 by MHFA and as amended, and any approvals granted thereunder by MHFA do not constitute recapitalizations but rather constitute a change in allowable distributions or other measures to increase the rate of return on investment, both retroactively and prospectively, for eligible projects, to the extent the same exceed the previously applicable return restriction, and accordingly any such changes for specific projects approved by MHFA in the City of Boston are also subject to the prior approval by the Authority.

3. Approval of Participation in MHFA "Pre-1981 Section 8 Recapitalization Program" ("MHFA Section 8 Program"). The Authority hereby approves the Partnership's participation in the MHFA Section 8 Program on the terms and conditions as referenced in the Second Amendment Application, Section 2(c) and set forth in Exhibit A thereto, in accordance with Chapter 121A, §18C(e),

as amended.

4. Future Participation in the Program. All future participations by the Partnership in the MHFA Section 8 Program in all respects shall be subject to prior approval by the Authority.

5. Affordable Housing Escrow Fund. The Authority hereby approves the establishment of an Affordable Housing Escrow Fund (the "Escrow Fund"). Notwithstanding any provision of Section 2(d) of the Second Amendment Application to the contrary, the terms and conditions governing the Escrow Fund shall include the following: (a) monies from the fund shall be used to develop or preserve affordable housing projects in the City of Boston; (b) the funding of any affordable housing project may take the form of a loan, grant, interest subsidy, rent subsidy or any other arrangement as determined by the Authority; (c) the Partnership or any affiliates of the Partnership shall not be precluded from participation in projects which benefit from the fund; and (d) the Authority shall exercise exclusive control and discretion over the fund, including but not limited to, the interim investment of fund balances, selection of projects to receive financial assistance and the approval of all disbursements. At the time the Partnership receives its share of the recapitalization proceeds, Applicant shall pay over to the Authority as part of the Escrow Fund ten percent (10%) of the net proceeds received by the Partnership, or approximately 4.79% of the total net proceeds estimated to be available for distribution to both MHFA and the Partnership, which amount is expected to approximate \$89,805.

6. Use Restriction. The Authority hereby confirms the use of the Project, subject to the availability of subsidy (as hereinafter set forth), as elderly rental housing for "Low-Income Household(s)" (as hereinafter defined) and except as hereinafter provided. This use restriction and the requirements set forth in this paragraph shall remain in full force and effect for the remainder of the period of the Chapter 121A designation. The term "Low Income-Household" shall mean a household with an income less than or equal to fifty percent (50%) of the median for the Boston Metropolitan Standard Statistical Area. Notwithstanding the foregoing to the contrary, as long as housing units in the Project are subject to the use and tenant income requirements of any Housing Assistance Payment Contract ("Section 8 Rent Subsidy Contract") with HUD, or any similar or successor federal or state rent subsidy contracts or programs, the tenant income requirements of those contracts or programs shall apply and govern. The Partnership shall maintain in full force and effect and be subject to any existing Section 8 Rent Subsidy Contract for the remainder of its term or for any extension periods approved by HUD, and it shall have the obligation to seek and accept further available rent subsidies for all of the housing units within the Project upon the termination of such Section 8 Rent Subsidy Contract. Provided, however, the conditions set forth above shall not be construed to require the Partnership to accept less than fair and reasonable return for the rental or

sale of the Project.

7. General Findings and Determinations. The Authority hereby finds and determines that: (a) the Project changes as approved in this Second Report and Decision Amendment do not collectively constitute a "fundamental change" in accordance with Chapter 652, §§ 13 and 13A; (b) except to the extent inconsistent with or contrary to the provisions of this Second Report and Decision Amendment, all of the findings, determinations, approvals and consents contained in the Amended Report and Decision, including those zoning deviations referenced in Section J of the Report and Decision, are hereby ratified and confirmed in all respects; and (c) any procedural or other requirements of applicable statutes and rules and regulations, which may not have been complied with in regard to the Second Amendment Application or the Authority's proceedings in connection therewith, are hereby waived.

8. Rules and Regulations. Notwithstanding the minimum standards for financing, construction, maintenance and management of the Project and any other rules and regulations set forth in Section I of the Report and Decision to the contrary, the Authority hereby imposes as additional rules and regulations on the Project and requires that, prior to or contemporaneously with the closing on its participation in the MHFA Section 8 Program and the disbursement of funds by MHFA, the Partnership shall: (a) enter into with the Authority an Amendment to Regulatory Agreement, under Chapter 121A, Section 18C, the terms and conditions of which shall be acceptable to the Authority's Director; and (b) enter into an Affordable Housing Fund Escrow Agreement with the Authority, the terms and conditions of which shall include the provisions as set forth in Section (D)5 of this Second Report and Decision Amendment and such other provisions as are acceptable to the Authority's Director. The Authority's Director may in her discretion waive the requirement as set forth in clause (a) of the preceding sentence.

9. Amended Report and Decision. All provisions of the Amended Report and Decision not specifically amended or revised by, or inconsistent with, this Second Report and Decision Amendment, shall remain in full force and effect.

10. Authorization to Execute Documents. The Authority's Director is hereby authorized to execute in the name of, and on behalf of, the Authority any and all agreements required by this Second Report and Decision Amendment and any Estoppel Certificates or like instruments to and for governmental bodies, lenders or other interested parties, at her discretion that confirm matters covered by this Second Report and Decision Amendment.

11. Severability. In the event any provision of this Second Report and Decision Amendment shall be held to be invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions thereof, or of the Amended Report and Decision.

MEMORANDUM

MAY 19, 1994

TO: BOSTON REDEVELOPMENT AUTHORITY and
MARISA LAGO, DIRECTOR

FROM: BRIAN DeLOREY, ASSISTANT DIRECTOR
ECONOMIC DEVELOPMENT
KEVIN MORRISON, ACTING CHIEF GENERAL COUNSEL

SUBJECT: SECOND AMENDMENT TO REPORT AND DECISION ON BLAKE
ESTATES II CHAPTER 121A PROJECT ("BLAKE ESTATES II
PROJECT")

Executive

Summary: This Memorandum requests adoption of a Second Amendment to the Report and Decision on the Blake Estates II Chapter 121A Project, which involves approval of the participation by the owner, Blake Estates Associates II, in the Massachusetts Housing Finance Agency ("MHFA") "Pre-1981 Section 8 Recapitalization Program" and the disbursement to the owner and MHFA of accumulated excess cash reserves and projected excess cash reserves by means of a second mortgage loan.

Project Background

On October 11, 1979, the Boston Redevelopment Authority (the "Authority") by vote adopted a Report and Decision (the "Report and Decision") on the Blake Estates II Project. This project is a 88 unit Section 8 housing complex financed by MHFA and located in the Hyde Park neighborhood of the City of Boston. Enclosed herewith is a map identifying the location of the project. There are 79 one-bedroom units and 9 two-bedroom units in one three-story building also housing the Blake Estates I Project. Ten of the units are adapted for handicapped residents. The units are marketed primarily to elderly residents, and are subsidized with Section 8 funds and residents pay no more than 30% of their adjusted income for rent. The three-story structure was built in 1980 and according to MHFA, is in excellent physical condition and has been well maintained.

The Report and Decision has been amended once. By the First Amendment, individual General Partners of Blake Estates Associates II withdrew and a sole corporate General Partner, Blake Estates II Corp., was admitted.

Second Amendment Application

On February 8, 1994, MHFA voted to approve the participation of the Blake Estates II Project, in its so-called "Pre-1981 Section

8 Recapitalization Program" (the "MHFA Section 8 Program"). In summary, the MHFA Section 8 Program authorizes distributions from restricted cash accounts and second mortgage financing for eligible Section 8-assisted developments. MHFA determined that this project had accumulated excess cash reserves and projected excess cash reserves that are not required to meet the project's capital needs. MHFA authorized the disbursement of accumulated excess cash reserves of \$929,644 and approved a second mortgage loan of \$1,381,494 to be payable from projected excess cash reserves. The total net amount of proceeds available for distribution was \$2,011,766. According to the MHFA Section 8 Program guidelines, the proceeds were, less MHFA fees, to be split, with 50.36% going to MHFA and 49.64% to the owner. The specific amounts are as follows:

<u>MHFA</u>	<u>Blake Estates Associates II</u>
\$972,890	\$898,053

The above amounts may change based on adjustments required at closing.

On March 23, 1994, Blake Estates Associates II filed with the Authority an Application requesting a Second Report and Decision Amendment to approve its participation in the MHFA Section 8 Program. A copy of the Application is enclosed herewith. In connection with the Authority's approval, Blake Estates Associates II proposed to pay to the Authority approximately \$89,805 (10% of its proceeds) for an Affordable Housing Escrow Fund.

Second Report and Decision Amendment

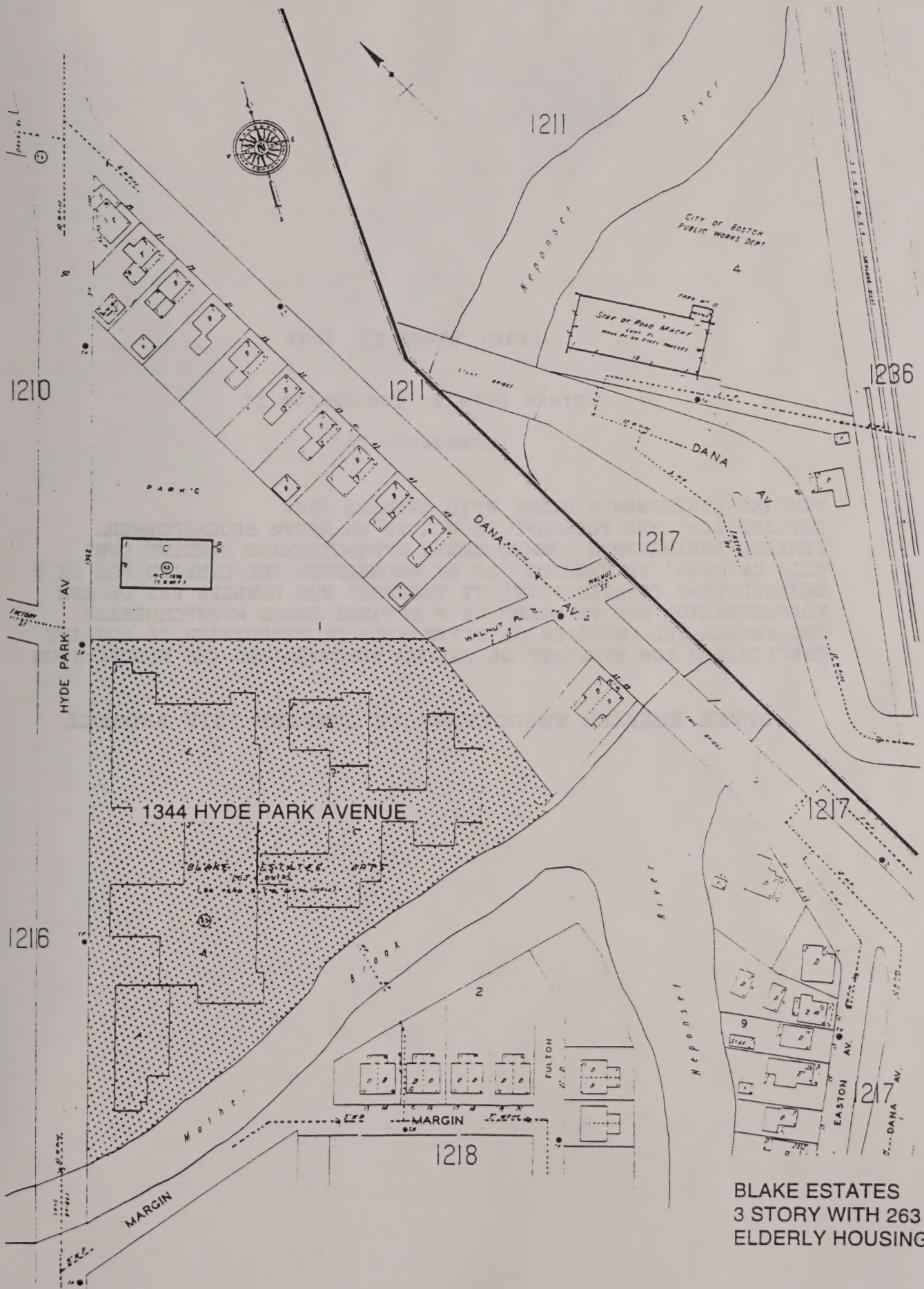
Enclosed is a Second Report and Decision Amendment granting the requested approval. Incorporated in the Amendment are findings and determinations to authorize indicated disbursements and the establishment of the Affordable Housing Escrow Fund. Pursuant to Chapter 121A, §18C(e), the owner is subject to an annual 8% return restriction on its investment. To authorize the disbursements under the MHFA Section 8 Program, the Authority is required to approve MHFA's increase in the return restriction. The Authority has this power in accordance with the 1989 amendments to Chapter 121A, §18C(e), specifically the Acts of 1989, Chapter 678, §22.

The Office of General Counsel has determined that approvals set forth in the Second Amendment do not constitute collectively a "fundamental change" in accordance with the Acts of 1960, Chapter 652, §§13 and 13A, as amended.

An appropriate vote follows:

VOTED: That the document presented at this meeting, entitled "SECOND AMENDMENT TO THE REPORT AND DECISION ON THE APPLICATION OF BLAKE ESTATES ASSOCIATES II FOR THE AUTHORIZATION AND APPROVAL OF A PROJECT UNDER MASSACHUSETTS GENERAL LAWS, CHAPTER 121A, AS AMENDED, AND CHAPTER 652 OF THE ACTS OF 1960, AS AMENDED, TO BE UNDERTAKEN AND CARRIED OUT BY A LIMITED PARTNERSHIP FORMED UNDER MASSACHUSETTS GENERAL LAWS, CHAPTER 109, AS AMENDED, AND APPROVAL TO ACT AS AN URBAN REDEVELOPMENT LIMITED PARTNERSHIP UNDER SAID CHAPTER 121A", be and hereby is adopted approved and adopted in all respects.

BLAKE ESTATES I AND II CHAPTER 121A PROJECTS



BLAKE ESTATES
3 STORY WITH 263 UNITS
ELDERLY HOUSING

BLAKE ESTATES ASSOCIATES II CHAPTER 121A PROJECT

APPLICATION FOR APPROVAL OF SECOND AMENDMENT TO THE APPLICATION AND REPORT AND DECISION OF BLAKE ESTATES ASSOCIATES II FOR THE AUTHORIZATION AND APPROVAL OF A PROJECT UNDER MASSACHUSETTS GENERAL LAWS CHAPTER 121A, AS AMENDED, AND CHAPTER 652 OF THE ACTS OF 1960, AS AMENDED, TO BE UNDERTAKEN AND CARRIED OUT BY A LIMITED PARTNERSHIP FORMED UNDER MASSACHUSETTS GENERAL LAWS, CHAPTER 109, AND APPROVAL TO ACT AS AN URBAN REDEVELOPMENT LIMITED PARTNERSHIP UNDER SAID CHAPTER 121A

Submitted by:

Blake Estates Associates II

DATE: March 23, 1994

Blake Estates Associates II (the "Applicant") hereby applies to the Boston Redevelopment Authority (the "Authority") pursuant to the provisions of Massachusetts General Laws, Chapter 121A ("Chapter 121A"), as amended, and the provisions of the Acts of 1960, Chapter 652 ("Chapter 652"), as amended, and any rules and regulations of the Authority that may be applicable hereto, for the approval and consent of the Authority to the placing of secondary financing with respect to a certain project known as Blake Estates II (the "Project").

1. Project; Project Area; Report and Decision. The Applicant represents as follows:

(a) Project. The Project consists of 88 rental units of low and moderate income, Section 8 assisted elderly housing.

(b) Project Area. The land and the building thereon which constitute the Project Area are located at 1344 Hyde Park Avenue, Hyde Park, Massachusetts 02136.

(c) Report and Decision. On October 11, 1979, the Authority by vote adopted a Report and Decision on the Application for Authorization and Approval (the "Report and Decision") for the Project. Such vote was approved by the Mayor of the City of Boston (the "Mayor") on October 30, 1979, and the vote as approved was filed with the City Clerk of the City of Boston (the "City Clerk") on November 6, 1979. On April 9, 1987, the Authority voted to adopt a First Amendment to the Report and Decision (the "First Amendment"). Such vote was approved by the Mayor on April 16, 1987, and the vote as approved was filed with the City Clerk on April 21, 1987. Collectively, the Report and Decision and the First Amendment are hereinafter referred to as the "Amended Report and Decision."

(d) Regulatory Agreement. On December 6, 1979, a Regulatory Agreement, under Chapter 121A, § 18C, was entered into by and between the Applicant and the Authority (the "Regulatory Agreement").

(e) 6A Contract. As of December 5, 1979, a contract under Chapter 121A, § 6A, in regard to the payments in-lieu of taxes to the City of Boston, was entered into by and between the Applicant and the City (the "6A Contract").

2. Requested Actions.

(a) MHFA Recapitalization Program. The Project received construction and permanent first mortgage financing from the Massachusetts Housing Finance Agency ("MHFA"). The Applicant now wishes to participate in a new MHFA financing program entitled

the "Pre-1981 Section 8 Recapitalization Program." That Program authorizes distributions from restricted cash accounts and second mortgage financing for certain Section 8-assisted developments which do not have dividend limitations imposed under federal law. At the present time, these developments (including the Project) have accumulated significant cash reserves because the earnings have exceeded the distributions permitted under the MHFA statute. The law with respect to if and when an MHFA mortgage can be prepaid and the ownership of the accumulated funds is unclear. The MHFA Program represents a compromise between the project owners and MHFA. The MHFA Program authorizes release of the restricted cash and a new second mortgage loan, provided that MHFA receives approximately one-half of the available proceeds.

(b) Consent to Second Mortgage. The Regulatory Agreement between the Authority and the Applicant under the 121A statute provides that "all other financing shall be made only with the prior written consent of the Authority." The Applicant hereby requests that the Authority consent to the placing of a second mortgage lien in favor of MHFA in such amount as may be approved by MHFA, which amount is expected to approximate \$1,381,494. The Applicant also requests that the Authority delegate to its Director the power to approve future second mortgage loans and to execute all required documents under the MHFA Program; provided that such future second mortgage loans are subject to the same terms and conditions as set forth in this Application. In addition, the Applicant requests approval to make distributions in accordance with Chapter 121A, § 18C(e) as amended by the St. 1989, c. 678, § 22, if and to the extent such provisions are applicable.

(c) Governmental Approvals. On February 8, 1994, MHFA by vote approved the Applicant's proposal under the Pre-1981 Section 8 Recapitalization Program. Exhibit A to this Application contains a copy of the MHFA Memorandum that sets forth the terms and conditions of such approval. No approvals are required by any other governmental agency, including but not limited to the federal Department of Housing and Urban Development.

(d) Affordable Housing Escrow Fund. In exchange for receiving the approvals set forth in this Application, the Applicant has agreed to establish an escrow fund with the Authority, which fund will be used to develop or preserve affordable housing projects in the City of Boston. At the time the Applicant receives its share of the recapitalization proceeds, the Applicant shall deposit ten percent (10%) of the net proceeds received by the Applicant (which amount is expected to approximate \$89,805) with the Authority (the "Escrow Fund"). During the two-year period immediately following the establishment of the Escrow Fund, the Applicant and the Authority shall exercise joint approval of the funding of any affordable housing project(s) with the proceeds of the Escrow Fund. The funding may take the form of a loan, grant, interest subsidy, rent subsidy or any other arrangement which is mutually agreed to

by the Authority and the Applicant. The Applicant or any affiliates of the Applicant shall not be precluded from participation in the development or developments which benefit from the Escrow Fund. At the end of the two-year period, the Authority shall exercise sole control and discretion over the Escrow Fund, provided that the proceeds must be used for the development or preservation of affordable housing.

3. **Capital Needs.** As part of the MHFA Recapitalization Program, the Applicant contracted for an independent capital needs study performed by On-Site Insight. On-Site Insight examined the Project's current conditions as well as future capital needs based on useful life expectations. Exhibit B to this Application contains a chart which describes the anticipated capital needs during the ten-year term of the new financing. The underwriting of the new second mortgage assumes full funding of the projected capital needs.

4. **Chapter 121A Urban Redevelopment Excise Taxes.** The Applicant represents that all amounts due for calendar years up to and including 1993 have been paid.

5. **6A Contract.** The Applicant represents that all amounts due under the 6A Contract for calendar years up to and including 1992 have been paid. Amounts for calendar year 1993 are not yet due. No changes are requested in the 6A Contract.

6. **Supplementary Materials.** The Applicant agrees that upon the request of, and notice from the Authority staff, the Applicant will then provide such additional information in connection with the approvals herein requested as may be reasonably requested. Such information may be considered "Supplementary Material" to be incorporated as part of this Application.

7. **Amended Report and Decision.** No other changes to the Amended Report and Decision are requested by this Application.

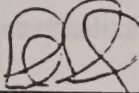
8. **List of Exhibits.** The following exhibits are attached and incorporated as part of this Application as if fully set forth herein:

Exhibit A: MHFA Approval Memorandum
Exhibit B: Capital Needs Chart

Executed as of March 23, 1994.

PREPARED BY: Blake Estates II BLAKE ESTATES ASSOCIATES II

DATE: February By: Blake Estates II Corp.,
its general partner

RE: "Pre-1941" Section 8(a) Mortgage
By: 
Edwin N. Sidman, its President

408211.1

Location: Hyde Park, MA, 02136

Mortgage: Blake Estates Associates

Debt:	MHFA New Mortgage	\$2,381,494
	Mortgage Interest	-4
	Proposed MHFA Second Mortgage	\$1,381,494
	Total Debt	\$3,762,988
	Current Debt Outstanding	\$2,381,494
Replacement Reserve:	Current Balance	\$1,381,494
	Per Line Balance	\$1,381,494

Proposal

The owners of Blake Estates II have applied to MHFA to participate in the "Pre-1941" Section 8(a) Mortgage Program. The proposal includes a request to receive approximately \$2,381,494 of guaranteed residential mortgage assistance, \$1,381,494 of which is replacement reserves, and for MHFA to provide a second mortgage for a ten year term in an amount estimated to be \$1,381,494.

Background

Blake Estates II is a 12 unit Section 8 approved housing development located in Hyde Park. The property consists of the smaller portion of a single three story residential building also housing Blake Estates I. The development enjoys car use, parking and common facilities with Blake Estates I. The building features 79 one-bedroom units and 9 two-bedroom units. Ten of the units

MEMORANDUM

TO: Agency Members

FROM: Marvin Siflinger, Executive Director

PREPARED BY: Michael Fitzmaurice, Real Estate Officer

DATE: February 8, 1994

RE: "Pre-1981" Section 8 Recapitalization Proposal

Development: Blake Estates II, MHFA #78-097-N

Location: Hyde Park, MA 02136

Mortgager: Blake Estates Associates

Debt:	MHFA First Mortgage	\$3,182,550
	Mortgage Increase	-0-
	Proposed MHFA Second Mortgage	<u>\$1,381,494</u>
	Total Debt	\$4,564,044

Current Debt Outstanding	\$2,690,319
--------------------------	-------------

Replacement Reserve:	Current Balance	\$ 436,144
	Per Unit Balance	\$ 4,956

Proposal

The owners of Blake Estates II have applied to MHFA to participate in the "Pre-1981" Section 8 Recapitalization Program. The proposal includes a request to release approximately \$625,500 of accumulated residual receipts, approximately \$304,144 of excess replacement reserves, and for MHFA to provide a second mortgage for a ten year term in an amount estimated to be \$1,381,494.

Background

Blake Estates II is a 88 unit Section 8 assisted housing development located in Hyde Park. The property consists of the smaller portion of a single three story residential building also housing Blake Estates I. The development shares the site, parking and common facilities with Blake Estates I. The Building houses 79 one-bedroom units and 9 two-bedroom units. Ten of the units

are adapted for handicapped residents. The units are marketed primarily to elderly residents. All of the units are subsidized with Section 8 funds and residents pay no more than 30% of their adjusted income for rent. The building was constructed in 1980, is in excellent physical condition, and has been very well maintained. Since completion, the development has received automatic annual rent adjustments from HUD. At 12/31/93 the development generated an unaudited net operating income (excluding capital expenditures) of \$590,892, which provided coverage of current debt of 179%. Given this level of operating revenue, the development's management team has been able to maintain the property in excellent condition, and provide levels of replacement reserves which far exceed MHFA standards.

MHFA Analysis

Effective rental income for base year 1994 is estimated to be \$1,112,000. Projections for laundry and interest income are based on historical data and projected minimum replacement reserve balances. MHFA Management staff is currently reviewing the proposed base year operating budget and this proposal is conditioned on staff approval. No future income trending has been assumed beyond 1994.

Operating Expenses

The owners' submission documents estimated operating expenses (net of replacement reserve funding) for base year 1994 to be \$522,500 or \$5,938/unit. MHFA Management staff is reviewing the proposed operating budget and this proposal is conditioned on staff approval. Operating expenses are inflated at 4% per year to comply with Program underwriting criteria.

Replacement Reserves/Capital Needs

A capital needs study submitted with the proposal indicates capital replacements averaging \$24,070 per year over the 10 year term of the second mortgage. In each year of the second mortgage term the development will make deposits to the replacement reserve in amounts sufficient to meet the needs indicated in the capital needs study. These deposits will be in addition to the \$1,500 per unit balance required to be maintained under the Program. MHFA Management staff is reviewing the capital needs and the reserve funding to determine if Blake Estates II can maintain an effective capital replacement program at \$1,500 per unit plus annual funding included in the underwriting.

Accumulated Residual Receipts

The development's submission documents estimate accumulated residual receipts to be \$625,500 at 4/30/94. MHFA Financial Compliance staff is currently reviewing the financial statements and projections and final release of any funds will be conditional on their approval.

Second Mortgage and Debt Coverage

Based on the established underwriting criteria, Blake Estates II generates positive net cash flows for a ten year period in amounts ranging from a high of \$268,700 in 1994 to a low of \$132,100 in 2003. The assumed processing rate results in a present value or second mortgage amount of \$1,381,494. Second mortgage underwriting requires that the development maintain 105% coverage on all debt. During the ten year term of the second mortgage debt coverage amounts range from \$29,900 in 1994 to \$23,100 in 2003. These annual coverage amounts have been discounted back at 5%, and the present value of \$202,272 will be deposited, at closing, in an escrow account controlled by MHFA.

Value

MHFA's Design and Technical and Appraisal and Marketing staff are estimating the development's total replacement value. The ratio of debt (including the second mortgage) to total replacement value will not exceed 90% to meet MHFA underwriting criteria.

Sources and Uses of Funds

Sources

MHFA Second Mortgage	\$1,381,494	
Accumulated Residual Receipts	625,500	
Excess Replacement Reserves	<u>304,144</u>	
Sub total		\$ 2,311,138
Less: Transaction Costs (estimated)		< 10,000>
Operating Reserve		< 87,100>
Debt Coverage Reserve		< <u>202,272</u> >
Total Sources		\$ 2,011,766

Uses

2% MHFA financing fee	\$ 40,235
5% processing and overhead fee	100,588
For deposit to MHFA	972,890
For deposit to partnership	<u>898,053</u>
Total uses	\$2,011,766

Total MHFA share of recapitalization proceeds \$1,013,125

Summary

Based on MHFA staff review, we recommend approval of Blake Estates II's application for participation in the "Pre-1981" Section 8 recapitalization program.

Voted

To authorize the release of approximately \$625,500 of accumulated residual receipts, and approximately \$304,144 of excess replacement reserve funds and to make a second mortgage of approximately \$1,381,494 or such lower or higher amount depending on the interest rate established at the time of closing, for Blake Estates II (MHFA #78-097-N), subject to the following conditions:

Conditions

1. The equity loan shall be evidenced by a Note and Mortgage, by appropriate amendments to the original Regulatory Agreement and any additional legal documentation required by MHFA, in form and substance acceptable to MHFA.
2. Payment to MHFA at closing of all amounts due MHFA under the terms and conditions of the recapitalization program.
3. If determined to be necessary by MHFA General Counsel, mortgage title insurance must be provided in the full amount of the loan, in standard American Loan Title Association Mortgage forms, including mechanics' lien coverage, insuring MHFA against loss or damage.
4. This commitment is expressly subject to the ability of MHFA, having secured a favorable opinion from bond counsel, to market obligations in sufficient amounts, and at feasible rates, to secure taxable funds with which to make the loan; provided, however, that this action of MHFA shall not grant the owner any priority with respect to funding from the proceeds of any particular obligations issued by MHFA over any other commitments which may be outstanding or under consideration by MHFA at the time of issuance of such obligations. MHFA, in its sole judgement and in furtherance of the Act, shall determine which developments shall be funded with the proceeds of a particular issue of obligations issued by MHFA.
5. Subject to the availability of financing proceeds under terms and conditions acceptable to the Executive Director.
6. Subject to the execution of an agreement by the mortgagor satisfactory in form and substance to the General Counsel of the Agency whereby at least twenty percent of all units will be preserved for use by very low- and low income households for a term equal to the original mortgage term, in the event such mortgage is extinguished by foreclosure, bankruptcy, or other legal action prior to the expiration of its term. Very-low and low-income shall be defined by the Federal HUD Section 8 guidelines.

7. Prior to closing, all requirements of MHFA with regard to the debt service and specified escrows on other MHFA projects of this developer, or any member of the developer entity, must be current.
8. The terms and conditions of this commitment shall survive and serve as a condition subsequent to terms contained in any of the Agency's contract documents.
9. At closing, the mortgagor must execute all documents deemed necessary by the Agency's General Counsel.
10. The mortgagor must satisfy any additional conditions deemed necessary by the Agency's Executive Director and/or General Counsel.

Special Conditions

1. FNMA approval of second mortgage.
2. Final determination of MHFA legal department as to the developments eligibility to participate.
3. Subject to final review and approval by MHFA of amounts requested to be released from accumulated residual receipts and replacement reserves.
4. Subject to final MHFA approval of the operating budget.
5. Subject to replacement cost appraisal indicating loan to value equal to or less than 90%.
6. Subject to the submission of evidence that the owner has complied with its regulatory agreement with the Boston Redevelopment Authority.
7. Subject to meeting all terms and conditions of program structure and guidelines.
8. The second mortgage shall be evidenced by any legal documentation required by MHFA, in form and substance acceptable to MHFA.
9. Subject to partnership approval.

/mms

REPLACEMENT ITEMS
BY OSI SYSTEM

BLAKE ESTATES II

	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	1	2	3	4	5	6	7	8	9	10
Costs inflated At 4.00%										
SITE SYSTEMS										
SITE SURFACE										
Roadways							\$4,032			
Parking							\$20,185			
Site Lighting							\$3,290			
MECHANICAL ROOM BOILERS										
Controls		\$3,245								
BOILER ROOM SYSTEMS										
Heating Water Pumps		\$2,204	\$2,292							
Domestic Hot Water Storage		\$3,245								
BUILDING ELECTRICAL										
Emergency Lights								\$2,737		
BUILDING ELEVATORS										
Shafts and Doorways										
ROOF										
Roof Covering - Shingles			\$11,084	\$11,527	\$11,988					
HALLS										
Floors - Carpeted					\$6,503	\$6,763	\$7,034			
DWELLING UNIT LIVING AREA FINISHES (lr, dr, halls, stairs, bedrooms)										
Floors-Carpet	\$4,000	\$7,779	\$8,090	\$8,413	\$8,750	\$9,100	\$9,464	\$9,843	\$10,236	\$10,648

REPLACEMENT ITEMS
BY OSI SYSTEM

BLAKE ESTATES II

Costs Inflated At 4.00%

YEAR	1	2	3	4	5	6	7	8	9	10
------	---	---	---	---	---	---	---	---	---	----

KITCHEN

Countertop/Sink

\$4,170 \$4,336 \$4,510

Range

\$11,583 \$12,046 \$12,528

Refrigerator

\$5,400 \$5,632

Low Flow Toilets

\$20,800

TOTALS

\$30,200	\$22,105	\$21,406	\$19,940	\$27,241	\$15,863	\$61,758	\$28,962	\$27,274	\$10,846
----------	----------	----------	----------	----------	----------	----------	----------	----------	----------

